



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL/SUCCESSOR  
AGENCY BOARD

**FROM:** Richard A. Keit,  
Managing Director

**SUBJECT:** SEE BELOW

**DATE:** October 31, 2012

Approved

Date

10/31/12

**SUBJECT: APPROVAL OF FIRST AMENDMENT TO THE AGREEMENT WITH  
MACIAS, GINI, & O'CONNELL LLP**

## **REASON FOR ADDENDUM**

The Redevelopment Agency has had an Agreement with the audit firm Macias, Gini & O'Connell for the last two years. The requirement to complete Financial Statements for the Fiscal Year for both the period prior to the dissolution of the Redevelopment Agency and the period after dissolution required very recent changes to the Scope of Services and corresponding cost adjustments requiring an amendment to the Agreement. The approval of the Amendment needs to be completed before the Financial Statements are presented to the Public Safety, Finance and Strategic Support Committee on November 15, 2012.

## **RECOMMENDATION**

It is recommended that the City Council, acting in its capacity as Successor Agency to the Redevelopment Agency, approve the First Amendment to the Agreement with Macias Gini & O'Connell LLP to amend the Scope of Services for the Fiscal Year 2011-12 audit to reflect the dissolution of the former Redevelopment Agency as of February 1, 2012, to increase the current contract amount by \$28,306, for a total fee for the Fiscal Year 2011-12 audits of \$113,750, and a total contract amount not to exceed \$460,418.

## **BACKGROUND**

On May 4, 2010, the former Redevelopment Agency Board approved an agreement with Macias Gini & O'Connell LLP (MGO) to perform Annual Financial and Compliance Audit Services for fiscal years ending June 30, 2010, 2011, and 2012 with two (2) one-year extension options for fiscal years ending June 30, 2013 and 2014, for a fee not to exceed \$81,375 for each of the last

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two fiscal years 2009-2010 and 2010-11 and with annual increases adjusted by the CPI for each subsequent fiscal year, for a total contract amount not to exceed \$432,112.

On December 29, 2011, the California Supreme Court upheld ABX1 26 providing finality to the legality of the dissolution of redevelopment agencies. Effective February 1, 2012, the Redevelopment Agency of the City of San José was dissolved and replaced by a "Successor Agency". Therefore, as a result of this transition the FY 2011-12 audit requires additional services by MGO in connection with auditing the financials of the former Redevelopment Agency and separately, the Successor Agency.

### **ANALYSIS**

Macias Gini and O'Connell LLP will perform an audit of the fund financial statements of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the former Redevelopment Agency of the City of San José for the reporting period July 1, 2011 through January 31, 2012. MGO will also audit the basic financial statements of the Successor Agency to the Redevelopment Agency of the City of San José for the reporting period February 1, 2012 through June 30, 2012.

The total cost to perform the FY 2010-11 audit for the Redevelopment Agency was \$81,375. With the dissolution of the Agency effective February 1, 2012, the audit services for FY 2011-12 required separate fee schedules for the two separate entities. The cost to perform the first audit of the former Redevelopment Agency, July 1, 2011 through January 31, 2012, is \$65,590 which includes a 2.6% Consumer Price Index (CPI) adjustment from FY 2010-11 but also reflects a reduction in work hours related to a compliance audit that is no longer required. The cost of the second audit for the Successor Agency effective February 1, 2012 through June 30, 2012 is \$48,160 which increases the total cost of the FY 2011-12 audits to \$113,750. The compensation increase of \$28,306 to the existing agreement with MGO is a one time adjustment to fund additional audit services required for the two segregate audit periods. The Macias Gini and O'Connell LLP contract terminates upon completion of the June 30, 2012 audit, with options to extend for two additional years.

### **PUBLIC OUTREACH/INTEREST**

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

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- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memo is posted on the City's website for the November 6, 2012 Council Agenda.

### **COORDINATION**

This memo has been coordinated with the City Auditor's Office and the City Attorney's Office.

### **COST SUMMARY**

The total estimated fee to complete the audits by MGO for the two reporting periods is \$113,750. The total contract amount of \$460,418 provides sufficient funding for audit services for five fiscal years through June 30, 2014.

Expenditures in connection with the Macias Gini & O'Connell LLP FY 2011-12 financial audits, including the proposed \$28,306 contract funding amendment, are included in the Successor Agency's approved Administrative Budgets and in ROPS II (July through December 2012) and ROPS III (January through June 2013) submitted to the State Department of Finance.

### **CEQA**

Not a Project, File No. PP10-066, Agreements.



RICHARD A. KEIT  
Managing Director

For more information, contact Richard Keit, Managing Director, Successor Agency, at 408-795-1849.